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## Mexico

### Agricultural Situation

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**Report Highlights:**

CREEL AND USABIAGA GIVING IN TO PRESSURE\*GOM FROWNS ON NEW U.S. BIOTERRORISM LAWS\*PACT SIGNING DATE HAS BEEN ACCORDED\*FARMING GROUPS AND PRIVATE SECTOR MAINTAIN NAFTA STANCE\*USG REMOVES MEXICAN CANNED BEAN IMPORTS\*U.S. PET FOOD IMPORTS MAINTAIN MARKET SHARE\*DROP IN MEXICAN COFFEE EXPORTS\*FEDERAL GOVERNMENT WILLING TO PROTECT CORN AND DRY BEANS\*SIGMA ALIMENTOS GROWING STRONGER\*MEXICAN SENATE LOBBYING EFFORTS\*SRE MAKES ADJUSTMENTS TO PERSONNEL\*FOX SENDS VIDEO MESSAGES\*FINANCE INCREASES EMERGENCY FUNDS FOR AGRICULTURE\*CREEL OFFERS COMPLEMENTARY TREATIES\*RURAL SECTOR REJECTS PARALLEL TREATIES TO NAFTA\*WATER NEGOTIATIONS\*NEW U.S. BIOTERRORISM LAWS HURT MEXICAN EXPORTERS\*NAFTA PLUS\*"DOLPHIN-SAFE" LABELING BEING DISCUSSED BY DOC\*FARMING GROUPS DEMAND A SIZEABLE EMERGENCY FARM FUND

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
[MX]

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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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### **CREEL AND USABIAGA GIVING IN TO PRESSURE**

On April 14, 2003, Secretary of Government Affairs Santiago Creel announced that the National Agricultural Pact would be signed next week and added that he plans to give special consideration to white corn and dry beans. Secretary Creel said he would use an exclusion clause within NAFTA's agricultural chapter to protect white corn and dry beans. Secretary of Agriculture Javier Usabiaga also assured farming groups that the federal government would keep their promise to protect national agricultural production. (Source: *El Universal*, 4/14/03)

### **GOM FROWNS ON NEW U.S. BIOTERRORISM LAWS**

According to Kenneth Smith, Director General for Evaluation of Trade Negotiations of the Secretariat of the Economy, the GOM will not allow the new U.S. Bioterrorism Laws to violate NAFTA, block trade, or impede Mexico's national commercial sovereignty. (Source: *Milenio Diario*, 4/14/03)

### **PACT SIGNING DATE HAS BEEN ACCORDED**

After four months of intense negotiations, the federal government and the main farming groups finally agreed on the National Agricultural Agreement's final draft. The Secretaries of Government Affairs, Agriculture, Economy, and the Agrarian Reform and leaders from the farming groups El Barzón, the Permanent Agrarian Congress (CAP), the National Farm Worker Confederation, and "The Farmland Can't Stand Anymore," established that the Pact would be signed on the 23<sup>rd</sup> or 28<sup>th</sup> of April in the *Palacio Nacional*. (Source: *El Universal, Reforma*, 4/13/03)

### **FARMING GROUPS AND PRIVATE SECTOR MAINTAIN NAFTA STANCE**

Farming groups said they would not accept the "ambiguous" language of the National Agricultural Pact proposed by the federal government, saying that the agreement needed to specify that corn and beans would be excluded from NAFTA. The private sector continued to lobby the federal government not to reopen NAFTA renegotiations. (Source: *El Financiero*, 4/10/03)

**USG REMOVES MEXICAN CANNED BEAN IMPORTS**

On April 10, 2003, the Food Safety Inspection Service (FSIS) agency of the U.S. Department of Agriculture informed Vilore Foods of Laredo, Texas to voluntarily remove all cans of beans with the label "La Sierra Auténtica Cocina Mexicana Charro Beans." FSIS explained that meat contained in the product came from a plant which had not been approved by the United States. (Source: *El Universal*, 4/10/03)

**U.S. PET FOOD IMPORTS MAINTAIN MARKET SHARE**

The growth in the Mexican pet food market continues unabated (despite misleading U.S. Customs export figures for 2002). The U.S. has a preponderant market share among imported pet foods. However, domestic production of pet food is increasing in response to growing demand. Surprisingly, the most important outlet for pet food sales is through mom & pop corner grocery stores. (For further information please refer to GAINS report MX3305 in the FAS web page.) (Source: ATO Mexico City, 4/11/03)

**DROP IN MEXICAN COFFEE EXPORTS**

According to the Mexican Coffee Bean Council, Mexican coffee exports have plummeted by 34 percent in volume and 25 percent in value from October through March of this year. Fernando Celis, director for the National Coordinator for Coffee Plantations (CNOC) explained that the drop in coffee bean prices was mainly due to a below average 2002-2003 crop. (Source: *El Financiero*, 4/9/03)

**FEDERAL GOVERNMENT WILLING TO PROTECT CORN AND DRY BEANS**

The federal government agreed to create a permanent mechanism that manages imports of white corn and dry beans, so as not to impact domestic producers. In doing so, the federal government reportedly said they would use safeguards, dumping investigations and additional commercial treaties to protect Mexican producers. (Source: *La Jornada*, 4/13/03)

**SIGMA ALIMENTOS GROWING STRONGER**

On April 9, 2003, *Sigma Alimentos*, a member of the Alfa Corporate Group purchased the Salvadorian meat processing company *Productos Cárnicos*. Sigma now represents 20 percent of the Latin American market for meat products. Executives of *Sigma Alimentos* have now set their goals on increasing their Central American market share. (Source: *El Economista*, 4/11/03)

**MEXICAN SENATE LOBBYING EFFORTS**

According to the U.S. Department of Justice, the Mexican Senate has spent over US\$ 180,000 in the last two years hiring law firms to advocate on their behalf. The Mexican Senate reportedly hired firms like Piper Rudnick and Verner, Liipfert, Bernhard, McPherson & Hand to create better relations between the United States and Mexico. (Source: *Reforma*, 4/11/03)

**SRE MAKES ADJUSTMENTS TO PERSONNEL**

The Secretariat of Foreign Affairs (SRE) will soon announce some important personnel changes. Deputy SRE Secretary Gustavo Iruegas, who managed Latin American and Caribbean Affairs, will be stepping down after 35 years in the Mexican Foreign Service. It is

also rumored that Deputy SRE Secretary, Miguel Hakim, will replace Juan Jose Bremer as Mexico's Ambassador to the United States. (Source: *Reforma, El Financiero*, 4/10/03)

### **FOX SENDS VIDEO MESSAGES**

On April 10, 2003, in what has been a recent trend of video-speeches, President Vicente Fox addressed farming groups exhorting producers and their respective leaders to work together without hidden agendas and discrimination in order to reach consensus on a National Agricultural Pact. (Source: *El Financiero*, 4/11/03)

### **FINANCE INCREASES EMERGENCY FUNDS FOR AGRICULTURE**

On April 9, 2003, the Finance Secretariat upped the amount it was prepared to offer for the creation of an emergency fund for the rural countryside, to 17.6 billion pesos (US\$ 16.4 million), but farming groups have been reluctant to accept this new offer. On April 10, 2003, farming groups held a major protest from the historic Angel of Independence to *Los Pinos* (the Mexican White House). Revolutionary Institutional Party (PRI) Senators presented a bill proposing that President Fox recognize the "state of emergency" of the rural countryside and create a special fund to support farmers. (Source: *Reforma, El Financiero, Milenio Diario*, 4/11/03)

### **CREEL OFFERS COMPLEMENTARY TREATIES**

On April 10, 2003, Secretary of Government Affairs, Santiago Creel, announced he would seek complementary treaties with the United States and Canada to mitigate the impact NAFTA has had on the rural countryside. At the ceremony to commemorate the death of Emiliano Zapata, Secretary Creel announced that this would be the final week of negotiations for the National Agricultural Pact. Secretary Creel stated he would designate "special attention" to white corn and dry beans, due to their importance in Mexico's diet. Secretary Creel rejected many of the farming groups' demands to renegotiate NAFTA's agricultural chapter that would prohibit white corn and dry bean imports. Farming group leaders announced that they would organize a major protest in Mexico City on May 1<sup>st</sup>. (Source: *El Universal, La Jornada, Reforma, El Economista*, 4/10/03)

### **RURAL SECTOR REJECTS PARALLEL TREATIES TO NAFTA**

On April 11, 2003, farm group organizations said they vehemently rejected the proposal made by Secretary of Government Affairs Santiago Creel to seek parallel treaties to NAFTA and demanded that President Fox intervene to exclude white corn and dry beans from NAFTA. Farming group leaders Alberto Gómez and Alfonso Ramírez from the farming groups "The Farmland Can't Stand Anymore," and El Barzón, respectively, are calling for Presidential intervention in addition to personally contacting the governments of the United States and Canada to exclude white corn and dry beans from NAFTA. (Source: *El Universal, El Financiero*, 4/11/03)

### **WATER NEGOTIATIONS**

On April 9, 2003, Alberto Szekely, Mexico's chief water negotiator, said that after two years of "difficult" negotiations, Mexican and U.S. representatives would sit down this month to discuss points in the 1944 Water Treaty, including the definition of "extreme drought conditions." Szekely recognized that Mexico had wasted some of its water resources over the years. (Source: *La Jornada*, 4/10/03)

**NEW U.S. BIOTERRORISM LAWS HURT MEXICAN EXPORTERS**

On April 10, 2003, the National Agricultural Council (CNA) said that Mexican food exports to the United States are being affected by the USG's new bioterrorism laws, which have created stricter phytosanitary regulations. (Source: *La Jornada*, 4/10/03)

**NAFTA PLUS**

A summit between Mexican, Canadian, and U.S. businessmen, military personnel, and politicians held in Washington focused on ways to build a vision of "NAFTA-Plus." The Mexican private sector also tried to minimize the possibility of U.S. reprisals against Mexico for its failure to support the USG regarding the war on Iraq. (Source: *Reforma*, 4/10/03)

**"DOLPHIN-SAFE" LABELING BEING DISCUSSED BY DOC**

San Francisco Circuit Court of Appeals judge, Thelton Henderson will rule this month on the legality of an injunction against the U.S. Department of Commerce's (DOC) decision to modify its "dolphin-safe" label and open up the U.S. market to Mexican tuna imports. (Source: *El Financiero*, 4/10/03)

**FARMING GROUPS DEMAND A SIZEABLE EMERGENCY FARM FUND**

Farming groups demanded that the federal government increase the amount it was offering for an emergency farm fund before they would sign the National Agricultural Pact. Approximately 12,000 protestors participated in a national agricultural march to Los Pinos (the Mexican White House), which was dampened by afternoon thunderstorms. Secretary of Government Affairs Santiago Creel said that the federal government would seek side agreements on agriculture to soften NAFTA's impact upon Mexican farmers. The Secretariat for Agrarian Reform will create a special group of negotiators to resolve pressing land conflicts. (Source: *Reforma*, *El Universal*, *El Financiero*, *La Jornada*, *Milenio Diario*, 4/11/03)

**REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY**

Number	Title	Date
MX3045	Oilseeds Annual Report	4/8/03
MX3046	Sugar Annual	4/9/03
MX3047	NOM-EM-041-FITO-2003 on imported beans	4/10/03
MX3048	Dried Fruit Annual Report	4/10/03
MX3049	Mexico's First Auction of U.S. Dry Edible Beans	4/11/03
MX3050	Coffee Annual Report	4/14/03

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